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COMMITTEE PRINT

PATENT PRACTICES OF THE FEDERAL COMMUNICATIONS COMMISSION

PRELIMINARY REPORT

OF THE

SUBCOMMITTEE ON
PATENTS, TRADEMARKS, AND COPYRIGHTS

OF THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE
EIGHTY-SEVENTH CONGRESS, SECOND SESSION

PURSUANT TO

S. Res. 267

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CLARENCE M. DINKINS, *Chief Counsel*

FOREWORD

Should the Federal Communications Commission, in establishing technical operating standards for transmission equipment, require the regular filing of technical data and patent rights by those companies whose material will be required? Should the Federal Communications Commission employ the technical staff necessary to process and accurately appraise the impact of such information and patent rights? In addition, how much responsibility should the Commission assume as to possible restraints of competition in the communication field when it promulgates operating standards and how much should be left for the Antitrust Division of the Department of Justice to correct any possible resulting restraints of competition?

These and other questions are raised by the following report which was prepared by Clarence M. Dinkins of the staff of the Subcommittee on Patents, Trademarks, and Copyrights, as part of the subcommittee's study of the U.S. patent system, conducted pursuant to Senate Resolution 267 of the 87th Congress, 2d session. It is the 14th of a series dealing with patent practices of the various Government agencies.

Although the FCC's participation in the Government's $12 billion research and development program has been comparatively small to date, it is increasing its research and development role. Under Public Law 86–626 of July 12, 1960, the Commission was authorized to spend up to $2 million for a special ultrahigh-frequency television study during fiscal years 1961 and 1962. Under its present patent policy, the Commission will have complete control of the disposition of all inventions and patents arising from this research program.

This report, as well as those preceeding, emphasizes the necessity of Congress endeavoring to enact legislation looking forward to greater uniformity in the patent policies of the various Government agencies.

JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks and Copyrights, Committee on the Judiciary, U.S. Senate.

AUGUST 18, 1962.

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PRELIMINARY REPORTS ON THE PATENT PRACTICES OF THE FEDERAL COMMUNICATIONS COMMISSION

I. Legal Authority as to Patents

Although the statutory language relating to research and development from which inventions might normally arise is quite limited in scope, the Commission does have some statutory authority for engaging in this type of work. The Communications Act of 1934, as amended (47 U.S.C. 303(g)), directed the Commission "* * * as public convenience, interest or necessity require * * *" to:

> (g) Study new uses for radio, provide for experimental uses of frequencies, and generally encourage the larger and more effective use of radio in the public interest;

In Public Law 86–626, approved July 12, 1960, the Congress voted certain funds for the operation of the Federal Communications Commission, and provided among other things:

> That not to exceed $2,000,000 of this appropriation shall be available for a special ultra-high frequency television study and shall remain available until June 30, 1962.

There are no statutory provisions governing the disposition of inventions which may result from such study.

II. Present Practice

A. ADMINISTRATION

1. Personnel

The Federal Communications Commission does not have a staff which deals primarily with patent matters. The Commission formerly handled these matters through a Committee of Commissioners (June 1952 to June 1954) and later employed a patent attorney within its Office of the General Counsel, but this position has been vacant since the patent attorney's resignation in 1957. If and when patent problems occur, they are handled jointly between the Office of the General Counsel and the Office of the Chief Engineer.

2. Performance statistics

From 1948 to date there have been nine applications for patents filed by employees of the Federal Communications Commission. These applications were prosecuted jointly by the General Counsel's Office of the FCC and the Patent Section, Civil Division, of the Department of Justice. All patent applications were filed under 35 U.S.C. 266, which provides for the issuance of patents without cost to Government employees under the following conditions.

> The Commissioner may grant, subject to the provisions of this title, to any officer, enlisted man, or employee of the

> Government, except officers and employees of the Patent Office, a patent without the payment of fees, when the head of a department or agency certifies the invention is used or likely to be used in the public interest and the applicant in his application states that the invention described therein, if patented, may be manufactured and used by or for the Government for governmental purposes without the payment to him of any royalty thereon, which stipulation shall be included in the patent.

From these nine applications, five patents were obtained, one in 1950, one in 1953, one in 1954, one in 1957, and one in 1959. Of these five patents obtained on employee inventions, the Commission has received an assignment of two patents; and nonexclusive, irrevocable, royalty-free licenses with the power to grant licenses for all Government purposes on the remaining three. In executing these license agreements the following pertinent language is used, whereby the inventor does:

> * * * grant and give to the Government of the United States for the use of all departments and independent establishments thereof, as represented by the Chairman of the Federal Communications Commission, a royalty-free, nonexclusive, and irrevocable license to make, or have made, to use, to maintain in repair, and to sell as provided by law, any and all devices embodying inventions disclosed or claimed in the above-identified application for letters patent, and any patent and any reissues, extensions, continuations, substitutions or divisions thereof, issuing thereon throughout the life of said patent or patents.[1]

The five patents resulting from employee inventions were as follows:

(1) Patent No. 2,500,935 issued on March 21, 1950, was granted on a chart analyzer. In this case the employee retained title and the Commission was granted a nonexclusive, royalty-free license.

(2) Patent No. 2,642,534 was issued on June 16, 1953, and covered an invention known as a multiple standard frequency inversion measuring system. In this case the Commission obtained a complete assignment of the patent rights.

(3) Patent No. 2,668,193 was issued on February 2, 1954 and was granted for automatic switching of television receivers. In this case the Commission received a complete assignment of the patent.

(4) Patent No. 2,800,384 was issued on July 23, 1957, and covered an invention described as "Wide frequency range recording and reproducing apparatus." In this case the employee retained title and the Commission was granted a nonexclusive, royalty-free license.

(5) Patent No. 2,903,505 was issued on September 8, 1959, and covered equipment for a new TV color system. In this case the employee retained title and the Commission was granted a nonexclusive, royalty-free license.

[1] Statement from Federal Communications Commission attached to letter to Senator Joseph C. O'Mahoney of Apr. 20, 1960 (hereinafter referred to as statement of Apr. 20, 1960).

B. POLICY AS TO RETENTION OF TITLE

1. By employees

FCC makes employee patent determinations in accordance with provisions of Executive Order 10096, which was approved on January 23, 1950.[2] In addition it promulgated its own regulations on July 11, 1951, implementing Executive Order 10096 and spelling out in detail the relationship between the Commission and its employees regarding patent matters.[3]

2. By contractors and grantees

FCC has made no grants and has only recently begun a research and development program, by contracts, pursuant to Public Law 86–626 of July 12, 1960, in which the Commission is authorized to spend up to $2 million for a special ultrahigh frequency television study during fiscal years 1961 and 1962. A research and development contract with Airborne Instruments Laboratory, a division of Cutler-Hammer, Inc., was awarded on May 16, 1960, in connection with this ultrahigh frequency television study. Further contracts which might have patent implications have been entered into with Melpar, Inc., awarded on November 1, 1960; Smith Electronics, Inc., awarded on December 5, 1960; Smith Electronics, Inc., awarded on February 1, 1961; Melpar, Inc., awarded on April 10, 1961. Contracts which do not appear to have any patent implication have also been awarded to Melpar, Inc., on June 6, 1961; RCA Sales Corp., on June 14, 1961; the city of New York, on July 14, 1961; Jerrold Electronics Corp., on July 19, 1961. Similarly, a lease with the Radio Corp. of America awarded on February 24, 1961, involves equipment which has been previously developed so that the only invention possibilities would seem to be those which might arise from the construction and use of the installation.

Although it is impossible to foretell what inventions or patents may come from the research and development contracts involved in this study, the patent policy of FCC has already been determined as one which will give the Commission complete control of the disposition of all inventions and patents which may arise.[4]

C. FOREIGN FILING

1. Employee patents

The FCC has no information as to the foreign filing of patents by its employees.

2. Contractors and grantees patents

The Commission has made no grants and entered into no research contracts prior to May 16, 1960. There has, therefore, not been any occasion for any contractor or grantee to apply for patents in foreign countries.

[2] For complete text of Executive Order 10096 promulgated Jan. 23, 1950, 15 F.R. 389, see app. A on p. 17, of the "Patent Practices of the Government Patents Board," report of the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, U.S. Senate, 86th Cong., 1st sess. See also, Executive Order No. 10930 of Mar. 24, 1961, "Abolishing the Government Patents Board and Providing for the Performance of its Functions by the Department of Commerce," which appears as app. E, p. 28, of the "Patent Practices of the Department of Commerce," report of the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, U.S. Senate, 87th Cong., 1st sess.

[3] App. A, p. 9.

[4] For copy of patent rights provisions, see app. B, p. 11.

D. USE OF PATENTS BY PARTIES RETAINING TITLE

1. Employees

The FCC has no information indicating any use by its employees of the inventions made by them on which patents were obtained.

2. Contractors and grantees

The Commission has made no grants and no patents have yet been obtained by its research contractors.

3. Government

The Commission has made no use of either of the two patents to which it took title or of one of the patents which it licensed from the employee-inventor. The Commission has made a very limited use of the patent which it licensed from the employee-inventor, No. 2,500,935, which was granted on a chart analyzer. The analyzer was used for a few months and then discontinued.

E. PATENT POLICY OF THE COMMISSION WITH RESPECT TO PROMULGATION OF TECHNICAL STANDARDS

In promulgating technical standards for broadcasting and other radio communication services, the Commission establishes certain technical requirements which its licensees must meet. Such requirements may frequently be met only by the use of patented equipment. While these technical standards are specified in terms of performance, rather than a specific design, certain specified performance characteristics may be obtainable by the use of equipment which is available for communications use only on terms established pursuant to privately owned patent rights. Therefore, in promulgating these technical standards and regulations, the Commission necessarily gives consideration to the effect of patent rights upon the availability of equipment that will meet the specified performance standards. The Commission has stated—

> * * * that patent monopolies or patent misuses are important considerations in determining the adoption of a standard in that the Commission would not consciously show favoritism to any manufacturing group if standards could be adopted that would both encourage competition and provide the best communication service obtainable.[5]

However, the Commission has declined to require the regular reporting of information as to the impact of patent rights upon technical standards in general, upon the ground that it has no staff adequate "* * * to cull out the particular items warranting consideration by us in the discharge of our statutory functions," and that "* * * overall surveillance of this field must properly be left to other Government departments having important and more direct responsibilities to correct patent abuses * * *" (report and order in docket Nos. 10090 and 11228, adopted Apr. 24, 1957, p. 3).[6] Patent information which is pertinent to those functions, the Commission believes may be obtained by specific requests made in the course of rulemaking proceedings on an ad hoc basis.

[5] Statement of Apr. 20, 1960.
[6] For full text of this report and order, including two dissenting opinions, see app. C, p. 11.

As an illustration of how the Commission has applied this policy, in the recent rulemaking proceedings for establishing standards to permit FM broadcast stations to transmit stereophonic programs on a multiplex basis, the Commission requested the proponents of various systems to supply it with information as to their patents. Thus, in the report and order in this proceeding (docket No. 13506), adopted on April 19, 1961, the Commission stated:

> 34. The proponents of Systems 1, 4, and 4A have, as requested in the Notice of Proposed Rule Making, submitted statements which indicate in substance that each is prepared to grant nonexclusive licenses under any one or more of its patent applications and the patents issuing thereon to any responsible party at reasonable royalties for the manufacture, use and sale of the apparatus covered thereby. We find these representations consistent with the patent policies of the Commission which are designed to obviate any restraint of trade or monopolistic practices in matters coming within its cognizance.

The policy of the Commission in judging the effect of patent rights upon its technical standards was the subject of hearings held by the Legislative Oversight Subcommittee of the Committee on Interstate and Foreign Commerce of the House of Representatives, during the 85th Congress. As a result of its investigation the subcommittee recommended that the Commission should require annual reports by companies owning or controlling patents relating to transmitting and receiving equipment, and should review its technical standards for the purpose of promulgating rules and regulations that would insure that standards" * * * effectively serve the public interest and are not tied in with a patent or other monopoly enjoyed by one or more manufacturers or licensees." [7]

In response to Senator O'Mahoney's inquiry as to the views of the Commission with respect to these recommendations, the Commission stated that:

> * * * The Commission has already required that certain companies provide patent information to the Commission on a semiannual basis. These companies are American Telephone & Telegraph Co., Radio Corp. of America, and Western Union. In most cases the Commission does not require patent information and only in those cases where patents have a bearing on the Commission's decision will the Commission require patent information. While the Commission is not presently considering increasing the number of companies from which it will require patent information, the Commission does recognize a responsibility to require this information from others should it appear that other manufacturing companies are acquiring dominant patent positions which may affect the ability of the Commission to carry out its regulatory functions in the public interest.[8]

In responding to this subcommittee's inquiry as to the Commission's views as to the recommendation of the House subcommittee with respect to prevention of adverse effects resulting from the impact of

[7] H. Rept. No. 2711, 85th Cong., 2d sess., p. 15.
[8] Statement of Apr. 20, 1960.

patent and other monopolies on Commission technical standards, the Commission has reiterated its position that it "would not knowingly adopt standards which would give an unfair competitive advantage to any one manufacturer." [9] It also insists that it is—

> careful not to promulgate technical standards which would prohibit useful patented inventions, but attempts to promulgate technical standards which will be broad enough to include the greatest number of patented inventions.[10]

There has, however, been no change in the Commission's previously announced position that it does not require the regular filing of information as to patent rights, and therefore does not employ the technical staff necessary to process and accurately appraise the impact of such information.

As noted above, the Commission believes that jusgments as to whether particular patent rights have sufficiently injurious effects on competition in the manufacture of communications equipment to jeopardize an adequate public communications system may be more appropriately left to other departments, presumably having staffs better able to make this kind of judgment. The only other department specifically referred to by the Commission as possessing such a staff is the Department of Justice. The Commission's view is that primary responsibility for the correction of restraints of competition in the communications field which may in part result from Commission action rests upon the Antitrust Division of the Department of Justice, rather than upon the Commission. The Commission points out that it has consistently referred to the Department "any patent information coming to its attention that may be violative of the antitrust laws," and that the Department has obtained certain consent decrees entered against A.T. & T. and RCA, respectively. These decrees are two of those examined in this subcommittee's report on "Compulsory Patent Licensing Under Antitrust Judgments" (86th Cong., 2d sess.). It was noted in that report that those decrees both contained reciprocal patent licensing provisions which raise serious doubt as to whether either one would effectively restore the competition in the communication fields that they were intended to restore.

Not being a party to these or any other antitrust decrees, the Commission bears no responsibility for their success or failure as regulatory devices. The result of the existing policy of reliance upon the Department of Justice to correct unreasonable competitive restraints in the communications field, is that the regulations thought necessary to correct such restraints have been established by antitrust litigation instead of by the Commission. If, on the other hand, the Commission assumed primary responsibility for such regulations, the regulations would be subjected to the conventional safeguards provided by administrative consideration of the views of all interested parties, followed by appropriate judicial review of the action taken.

The view of the Commission, however, is that if any change is to be made in the present policy of delegating to the Department of Justice the function of appraising the adverse impact of patent rights upon communication standards that Congress must change the policy by

[9] Ibid.
[10] Ibid.

appropriate legislation. The Commission "is of the opinion that its present policies have proven to be in the public interest." [11]

III. Agency Viewpoint

A. JUDGMENT AS TO EFFECTIVENESS OF PRESENT POLICY

The Commission feels that its present policy is satisfactory and is in accordance with its statutory powers and duties.[12] As indicated in the rulemaking proceeding discussed above a majority of the Commission believed that the patent policy then established was in the public interest. However, in light of current developments the Commission has determined to reexamine these matters.

B. RECOMMENDATIONS AS TO FUTURE POLICY

No recommendations were offered. To this end, the Commission proposes to institute appropriate rulemaking proceedings in the near future.

[11] These statements accurately reflect the views and policies of the Commission as of Dec. 31, 1960. However, a majority of the Commission as now composed believes that there is some question as to whether previous patent policies fully protected the public interest. Its entire procedure relating to patent policies is now being carefully reexamined.

[12] Ibid.

APPENDIXES

Appendix A

(Adopted July 11, 1951)

Federal Communications Commission

Regulations governing the disposition of rights in inventions made by employees of the Federal Communications Commission issued pursuant to Executive Order 10096 and the Government Patents Board Administrative Order No. 5.

1. The Government may require assignment of title to inventions made by employees of the Government, and to any patents that may be issued on such inventions if any of the following conditions are present:

(*a*) If the invention was made during working hours; or

(*b*) If the invention was made with a contribution by the Government of facilities, equipment, materials, funds or information, or of time or services of other Government employees on official duty; or

(*c*) If the invention bears a direct relation to or was made in consequence of the official duties of the inventor.

2. In determining whether a condition set forth above was present in the making of the invention the following definitions shall apply:

(*a*) Working hours for civilian employees shall mean time spent during either the usual working hours, or overtime, or both, and for military personnel time spent during the hours actually engaged in officially assigned duties;

(*b*) A contribution of facilities shall mean that the facilities were used in the making of the invention and while so used were made unavailable for other purposes;

(*c*) A contribution of equipment shall mean that the equipment was used in the making of the invention and was thus made unavailable for other purposes;

(*d*) A contribution of material shall mean that the materials were specifically obtained and used for the purpose of making the invention and were thus rendered unavailable for other use;

(*e*) A contribution of funds shall mean that Government funds were actually expended for the purpose of making the invention;

(*f*) A contribution of information shall mean that the information used in the making of the invention was available only by reason of the inventor's official duties and was obtained from sources not otherwise available;

(*g*) A contribution of time or services of other Government employees on official duty shall mean that their time or services was utilized during working hours as defined in (*a*) above;

(*h*) Bearing a direct relation to or made in consequence of the official duties of the inventor means that the duties to which the inventor had been assigned were such that the invention could reasonably be expected to arise therefrom.

3. When any of the conditions set forth in paragraph (1), as defined in paragraph (2), are present, the domestic rights and, in the discretion of the Commission, foreign rights in and to the invention shall belong to the Government if—

(*a*) The conditions are equitably sufficient to justify assignment thereof by the employee to the Government; and

(*b*) The Government has sufficient interest in the invention to require assignment thereof by the employee.

If it should be found that assignment is not required under (*a*) and (*b*) of this paragraph, the employee nevertheless shall be required to grant to the Government a nonexclusive, irrevocable, royalty-free license in the invention and under any patents, domestic or foreign, which may issue thereon.

4. It is presumed that the conditions of paragraph (1), as defined in paragraph (2), are present, when the employee is employed or assigned—

(*a*) To invent or improve or perfect any art, machine, manufacture, design, or composition of matter;

(*b*) To conduct or perform research or development work or both;

(*c*) To supervise, direct, coordinate or review Government financed or conducted research or development work, or both.

(*d*) To act in a liaison capacity among governmental or nongovernmental agencies or individuals engaged in such research or development work, or both.

5. Employees within the classes defined in paragraph (4) may submit evidence that will enable the Commission to establish the absence of any one or more of the conditions of paragraph (1), as defined by paragraph (2), or that the conditions which are present are insufficient equitably to justify a requirement that assignment be made to the Government of the invention and any patent which may issue thereon.

6. For employees not within the classes defined in paragraph (4), the Government must establish that the conditions of paragraph (1), as defined by paragraph (2), are sufficient equitably to require an assignment to the Government of the invention and any patent which may issue thereon.

7. Whenever an invention is made under any of the conditions set forth in paragraph (1), the employee must report the invention to the Chief Engineer of the Commission.

8. Definitions of terms as used in these regulations:

(*a*) The term "Government employee" means any officer or employee, civilian or military of the Commission including any part-time consultant or part-time employee except when special circumstances in a specific case require a departure herefrom to meet the needs of the Commission. Such circumstances shall be reported to the Chairman of the Government Patents Board.

(*b*) The term "invention" means any art, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the patent laws of the United States.

Appendix B

Patent Rights

(a) Whenever any invention, improvement, or discovery (whether or not patentable) is made or conceived or for the first time actually or constructively reduced to practice, by the Contractor or its employees, in the course of, in connection with, or under the terms of this contract, the Contractor shall immediately give the Contracting Officer written notice thereof, and shall promptly thereafter furnish the Contracting Officer with complete information thereon: and the Commission shall have the sole and exclusive power to determine whether or not and where a patent application shall be filed, and to determine the disposition of all rights in such invention, improvement, or discovery, including title to and rights under any patent application or patent that may issue thereon. The determination of the Commission on all these matters shall be accepted as final and the provisions of the clause of this contract entitled "Disputes" shall not apply; and the Contractor agrees that it will, and warrants that all of its employees who may be the inventors will, execute all documents and do all things necessary or proper to the effectuation of such determination.

(b) Except as otherwise authorized in writing by the Contracting Officer, the Contractor shall obtain patent agreements to effectuate the provisions of this clause from all persons who perform any part of the work under this contract, except such clerical and manual labor personnel as will have no access to technical data.

(c) Except as otherwise authorized in writing by the Contracting Officer, the Contractor will insert in each subcontract, having experimental, developmental, or research work as one of its purposes, provisions making this clause applicable to the subcontractor and its employees.

Appendix C

FCC 57–420
44048

Before the Federal Communications Commission, Washington 25, D.C.

Docket No. 10090

In the Matter of Promulgation of Rule Governing the Preparation and Filing of Patent Reports Annually

and

Docket No. 11228

In the Matter of Amendment of Part 1 of the Commission's Rules To Require Disclosure of Patent Positions in Rule Making Proceedings

REPORT AND ORDER

By the Commission: Commissioners Bartley and Lee dissenting and issuing statements; Commissioner Doerfer not participating.

1. The above rule making proceedings each deal with the filing of patent information with the Commission; the comments filed in Docket 11228 supplement the comments filed in Docket 10090. The main reason, however, for taking up these proceedings together in this single Report and Order is that the grounds for disposition of them are the same.

2. The proceeding in Docket 10090 was initiated on November 29, 1951, by the release of a Notice of Proposed Rule Making (16 F.R. 12438). Following a second Supplementary Notice, released on January 17, 1952 (17 F.R. 296), and the receipt of comments, the Commission on December 8, 1954 issued a Proposed Report and Order and scheduled an oral argument thereon (19 F.R. 8485). The argument and some comments indicated the desirability of certain modifications, to reduce the volume of work required on the part of the larger patent holding companies and to relieve the small patent holding companies of the obligations of submitting the reports. Accordingly, the Commission amended the proposal in its Second Proposed Report and Order (20 F.R. 3878) and requested comments on the rule as amended.

3. Briefly stated, the rule proposed in the Second Proposed Report and Order, would require any carrier subject to the provisions of Title II of the Act or any radio station licensee of this Commission owning or having the right to sublicense one or more groups of electrical communication patents [1] to file annually certain information as to such patents. The comments received [2] all urged that the workload necessary for determining the patents in use about which information would have to be filed, would still be extremely burdensome and expensive under the amended rule.

4. On December 8, 1954, the Commission issued its Notice of Proposed Rule Making in Docket 11228 (19 F.R. 8485), the purpose of which was to require disclosure of patent positions in rule making proceedings. Specifically, the proposed rule would require persons seeking rule making for new or modified standards as to equipment in any communications service, or any person filing comments directed to a notice of such rule making, to include a statement "as to whether such person owns or has the right to license patents covering in whole or in part any equipment or apparatus which would be affected by the adoption or non-adoption of the proposed rule or standard and, if such statement is in the affirmative, [to] include a description of the nature of such patent interest." The comments filed by the various parties [3] raised several objections. Some urged that the language of the rule proposed is not sufficiently definite to provide the Commission with the necessary patent information for rule making as to technical standards; others that the proposed rule is so extensive in its application that it would provide much patent information not needed in any rule making proceeding respecting technical standards; while still others advocated that the Commission should obtain the patent information needed during the rule

[1] The term "group of patents" was defined in the rule in a manner which would exempt the small patent holder from the filing requirement.

[2] Aircraft Industries Association, Central Committee on Radio Facilities of the American Petroleum Institute, the American Telephone & Telegraph Co., Collins Radio Co., Allen B. DuMont Laboratories, Inc., Globe Wireless, Ltd., the National Association of Manufacturers, and the General Electric Co. submitted comments.

[3] Seven persons filed comments in Docket 11228: Central Committee on Radio Facilities of the American Petroleum Institute; American Telephone & Telegraph Co.; Collins Radio Co.; Raytheon Manufacturing Co.; Skiatron TV, Inc.; Stromberg-Carlson Co.; and Sylvania Electric Products, Inc.

making proceeding, and thus have at hand the most current information respecting patents at the time standards are being considered.

5. We have carefully considered the outstanding proposals and have concluded that for a number of reasons, the proposed rules should not be adopted. First, we find merit to several of the points raised by parties filing comments, particularly those listed above such as the burden and expense on large patent holders entailed by the proposal in 10090, and the probability that under the rule in 11228 much patent information not needed in the rule making proceeding would be filed. However, the question is not solely one of burden or adverse effect on the patent-holding parties involved—it is also, and even more important, one of sound administrative procedure. Under the proposal in Docket 10090, and to a lesser extent in 11228, a great mass of raw patent data would be supplied to the Commission. That data would have to be examined by a large and experienced staff to cull out the particular items warranting consideration by us in the discharge of our statutory functions. The most compelling reason for rejection of the proposals is that we have no such staff, and that overall surveillance of this field must properly be left to other government departments having important and more direct responsibilities to correct patent abuses and, we believe, the necessary staffs to carry out those responsibilities. It would be contrary to sound administrative practice to require parties, at considerable expense and effort, to file data which, because of its proportions and our own limitations, this agency could not effectively make use of, or to give the impression that we were actually exercising a concurrent jurisdiction with the Department of Justice for general surveillance of the communications patent field, when in fact we were not and, in our opinion, could not appropriately do so.

6. This does not mean that communication patent information is not pertinent to our functions. On the contrary, such information, particularly in specific rule making situations, may be of the greatest importance to us. And as such situations arise, the Commission, either at the time Notice of Proposed Rule Making is issued or at any other time deemed appropriate, can require and obtain the submission of the most recent patent information, directly relating to the precise problem or problems involved. It is believed, therefore, that an *ad hoc* or case-by-case approach is the most appropriate and efficient manner of dealing with the question of what patent information should be submitted in particular proceedings or rule proposals, and that the general rules proposed in 10090 and 11228 must be rejected as being disadvantageous and unsound administratively.

Accordingly, it is ordered that the rule making proceedings in Dockets 11228 and 10090, be and are hereby terminated.

FEDERAL COMMUNICATIONS COMMISSION,[1]

MARY JANE MORRIS, *Secretary.*

Adopted: April 24, 1957.
Released: April 29, 1957.

[1] See attached dissenting statements of Commissioners Bartley and Lee.

DISSENTING STATEMENT OF COMMISSIONER BARTLEY

I dissent to the Commission's action terminating the proceedings in Docket 10090.

I am of the opinion that adoption of a rule calling for the filing of patent information on a regular reporting basis is necessary for the proper execution of Commission functions.

I believe that objections based upon alleged additional workload on patent holders should not militate against the adoption of such rules. Where information is submitted on a regular reporting basis, it is easily kept current as a routine matter. The Commission and the public thereby become informed and will remain currently informed, through study of such information, as to patent developments in the communications field. When rule making proceedings affecting the Commission's technical standards are instituted, the Commission will then have before it current information as to patent questions, if any, that may be involved in the adoption of new or improved techniques. Such a rule would make unnecessary a separate requirement (such as was envisaged by the proposed rule in Docket 11228) wherein parties requesting changes in the standards would have to submit statements relating to patent interests. Nor would it be necessary, if we had a regular reporting requirement, to delay the culmination of rule making proceedings pending the receipt and study of the impact of wholly new and unfamiliar patent information which may be submitted by the parties upon specific and isolated requests.

It appears to me a patents reports rule would not only effectively assist the Commission in carrying out its duties in the rapidly expanding fields of communication, but would, in the long run, aid materially in the *expeditious* dispatch of its business.

DISSENTING STATEMENT OF COMMISSIONER ROBERT E. LEE

I dissent. I believe the patent holders who are licensees of this Commission, as well as those rendering communication carrier services, should on an annual basis, furnish this Commission with all the patent information it needs respecting the technical standards it has promulgated, or will promulgate, for either Safety or Special Services, or for Broadcast Services. My understanding of the comments filed in Docket 11228 is that the patent holders concerned invite a Commission rule for serving such a purpose.

Briefly, I understand the proposal before the Commission is a combined Report and Order which terminates the patent rule-making proceeding in Docket 11228 and adopts a set of rules in Docket 10090 requiring each of the patent holders I have above defined to file annually with the Commission a report listing the patents the "person" reporting employs in the transmitters and receivers he manufactures and sells for the operations specified in the Commission's technical standards for Safety and Special Services and for Broadcast Services, plus copies of his agreements respecting the patents he lists, and certain licensing information respecting the same patents.

It is my further understanding that the primary purpose of the set of rules rejected is to obtain the necessary information for ascertaining whether the Commission's existing technical standards, particularly for TV broadcasting, can be modified so that the operations specified

therein are not tied down to one or more patents owned or controlled by one "person." Unless the Commission's standards are so dealth with, it is my view, that competitive research for improving the operations required by said standards is stymied, and thus the Commission's function to "generally encourage the larger and more effective use of radio in the public interest" is defeated.

As is generally known, there exists a dire need for competitive research for improving the technical operations required by the Commission's current standards for TV broadcast stations to the end that UHF and VHF stations can work together for serving the same area on a more equal basis than now exists. I think that the patents listed by the patent holders under the rules rejected should be open for public inspection, but not the patent agreements or licensing information. The initial notice in Docket 10090 stated this intention of the Commission (16 F.R. 12438). These patent number lists would pool knowledge of the inventions being used in transmitters and receivers for the technical operations required by the Commission's standards. It is my belief that permitting inspection by all interested persons of the patent lists is consistent with making possible and encouraging free enterprise in the matter of research for improving the operations specified by the Commission's technical standards for the various services for which it promulgates such standards.

Because of patent overlap as to the operations required by the Commission's technical standards for the different services involved, plus the fact that patents last 17 years, I believe the patent information that would be furnished under the rules would also be ample to avoid tying down the operations of technical standards for new services, or for improved existing services, to patents owned or controlled by one "person." Additional patent information needed, if any, could be obtained at the time the standards for new or improved services are considered by the Commission.

It is also my view that the promulgation of the rules I have above described is nothing more than the Commission exercising its authority to obtain the necessary information for carrying out its functions under sections 303(e) and 303(g) of the Communications Act of 1934, as amended. Moreover, it is my belief, that such information is necessary for the Commission to ascertain whether or not there exist patent practices which interfere with the performance of its duties or functions pursuant to sections 303(e) and 303(g). The Report and Order of the majority seeks to escape the need of the proposed single set of rules by saying the matter is one for the Department of Justice. It is my view that such is tantamount to saying the Department of Justice is responsible for the administration of section 303(e) and 303(g) of the Communications Act.

I further understand that small patent holders need not file reports under the rules, and that the lists of patent numbers to be furnished by those reporting respecting the transmitters and receivers manufactured and sold by them for the operations specified by the Commission's technical standards, constitute nothing more than the numbers which would be used for marking patented equipment manufactured and sold according to section 4900 of the Revised Statutes (35 U.S.C., 1946 ed., 49). The remaining part of the information called for by the rules, i.e., patent agreements and licensing

information has been furnished the Commission by several of the larger patent holders since 1942, as to all their respective patents on a semi-annual reporting basis. Thus, it will be seen that the rules would not place a burden upon the patent holders reporting. It is also apparent that the filings under the rules would not increase the work of the Commission to an extent that its present staff would not be adequate.

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